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MEMORANDUM

TO: BOARD OF FINANCE
FROM: AMBER THIBEAULT, DIVISION MANAGER OF GOVERNMENT AND REGULATORY AFFAIRS
SUBJECT: UPDATE ON 2009 AUDIT MANAGEMENT LETTER
DATE: 7/9/2010
CC: CHRISTOPHER BURNS, GENERAL MANAGER

As reported a few weeks ago to the Board of Finance, Burlington Telecom developed a checklist to address all of the identified deficiencies in the management letter. All of the deficiencies had a cure date of June 30, 2010. As of June 30, 2010, Burlington Telecom rectified all of the deficiencies with the exception of four including: the procedure to capitalize assets more than once in a year; a procedure to maintain the current asset schedule; obtain depreciation software and no contracted employees. The updated checklist is attached to this memorandum.

Burlington Telecom met with Rick Brigham from Sullivan & Powers and discussed the first three items related to capitalization of the assets and depreciation software. Burlington Telecom has utilized a spreadsheet to keep track of capital assets. The auditors have stated to BT that the use of a spreadsheet in lieu of software is acceptable provided that the mechanisms are in place to update the spreadsheet and verify formulas. Pursuant to this conversation, Burlington Telecom developed the policies related to the spreadsheet and the policies/procedures related to capitalization more than once in a calendar year. These policies were completed on July 7, 2010, which leaves only one remaining item on the management letter.

In regards to the contracted employee piece of the management letter – Burlington Telecom was unable to remedy this deficiency due to the City Council resolution passed as part of the budget process which made the General Manager a consultant for another three months. However, Burlington Telecom was fully prepared to make this a salaried City employee position. In that regards, BT included the General Manager salary in the budget for FY11. Burlington Telecom will look to remedy this deficiency at the end of the three-month agreement by bringing the General Manager on as a full-time salaried City employee. Therefore the new deadline for curing this deficiency is October 1, 2010.

It should also be noted that BT has developed an additional compliance checklist which is attached to this memorandum. This places an emphasis on the Division Manager of Government and Regulatory Affairs to verify that the policies and procedures that were developed in response to the FY09 management letter are being implemented.

If you have any questions please do not hesitate to contact myself or Chris Burns.

2009 Audit Management Letter Checklist

Deficiency Identified	Remedy for Deficiency	Progress	Due Date	Auditors	Completion
System to Identify Additions/Deletions of Capital Assets	Procedure to capitalize assets more than once a year	COMPLETE	June 30, 2010	X	7/7/2010
	Procedure to maintain current asset schedule	COMPLETE	June 30, 2010	X	7/7/2010
	Capitalize service installations	COMPLETE	May 7, 2010	X	
Allowance for Doubtful Accounts Review	Procedures to review and adjust allowance	COMPLETE	May 14, 2010	X	
	Policies and Procedures for write-off	COMPLETE	May 7, 2010	X	
Provisioning Expense Reconciliation	Policies and Procedures for reconciliation (monthly)	COMPLETE	May 14, 2010	X	
	Procedure for disconnects	COMPLETE	May 14, 2010	X	
	Procedure for provisioning HD and SD	COMPLETE	May 14, 2010	X	
	Identification of courtesy acct. in MACC	COMPLETE	April 30, 2010	X	
	Snowbird procedure	COMPLETE	May 14, 2010	X	
	Procedure for upgrades	COMPLETE	May 14, 2010	X	
	Letter for content providers	COMPLETE	April 30, 2010	X	
	Spreadsheet regarding credit	COMPLETE	April 30, 2010	X	
	Credit from content providers	COMPLETE	May 10, 2010	X	
Installation Contractor Invoices	Procedures regarding invoice verification	COMPLETE	April 30, 2010	X	
Billing Master File Maintenance	Audit of Billing Master File	COMPLETE	June 1, 2010	X	
Deferred Revenue	Processes for recording of revenue	COMPLETE	May 7, 2010	X	
Segregation of Duties and Monitoring	Document critical elements of Bus.Mgr.	COMPLETE	May 7, 2010	X	7/1/2010
	Procedures for review of adjustments	COMPLETE	May 7, 2010	X	
Disaster Recovery Plan	Documented disaster recovery plan	COMPLETE	June 30, 2010	X	
Cost Allocation Plan	Allocation for telephone/data	COMPLETE	June 30, 2010	X	
Certificate of Public Good Compliance Monitoring	Formal process to review and monitor	COMPLETE	September 1, 2009	X	
Revenue Assurance Auditing	Policies and Procedures for auditing	COMPLETE	June 1, 2010	X	
Interest and Penalties Charges	Review research with BOF	COMPLETE	June 1, 2010	X	
Customer Credit Checks	Review research with BOF	COMPLETE	June 1, 2010	X	
Approval of Fees	Share rates increase with TAC	COMPLETE	April 15, 2010	X	
Review of Billing Adjustments	Procedures for review of adjustments	COMPLETE	April 30, 2010	X	
	Policies and procedures for credits	COMPLETE	April 30, 2010	X	
Billing Controls	Comm. w/MACC re: internet/cable	COMPLETE	April 30, 2010	X	
	Annual review of SAS 70 with GM	COMPLETE	June 1, 2010	X	
Telecom Fund Indebtedness	Debt proceeds on Capital	N/A	N/A	N/A	
Reconciliation of Billings to General Ledger	Procedures for monthly reconciliation	COMPLETE	May 14, 2010	X	

Segregation of Duties - Acc. Rec and Cash Receipts	Collections/disputes CS - payment Billing	N/A	N/A	N/A
Accounts Receivable for CABS	Procedure to recognize receivable at year end	COMPLETE	June 30, 2010	X
Controls over Payments of Invoices	Controls to prevent double disbursements	COMPLETE	April 30, 2010	X
Telecom Accounting	Training for accounting	COMPLETE	June 1, 2010	X
	Resources for accounting	COMPLETE	June 1, 2010	X
Payment to Employees	No Contracted Employees	75%	June 30, 2010	
Capitalization Policy	Formal capitalization policy	COMPLETE	June 30, 2010	X
Fixed Asset and Depreciation Software	Obtain depreciation software	COMPLETE	June 1, 2010	X
Useful Lives of Assets	Policy to review useful lives annually	COMPLETE	June 1, 2010	X

Activity	Department	Time	Type of Evidence	Compliance
Capitalization of assets	Billing	Annual: June 30	Copy of Capitalization	
Maintenance of current asset schedule	Billing	Annual: June 30	Copy of Schedule	
Capitalization of service installation	Outside Plant	Bi-Annual: June 1 and Jan 1	Report of Capitalization	
Video Revenue Audit	Billing/Net Ops	Quarterly: June 1, Sept 1, Dec 1 and March 1	Report	
Verification of Eustis Bills	Outside Plant	Quarterly: June 30, Sept 30, Dec 30 and March 30	Selection of random bills	
Audit of Billing Master File	Billing	Quarterly: June 30, Sept 30, Dec 30 and March 30	Screen Shots	
Bad debt Reserve	Billing	Annual: June 30	Copy of Ledger	
Internet Revenue Audit	Billing/Net Ops	Quarterly: June 1, Sept 1, Dec 1 and March 1	Report	
Telephone Revenue Audit	Billing/Net Ops	Quarterly: June 1, Sept 1, Dec 1 and March 1	Report	
Verification of credit procedure	Customer Service	Bi-Annual: March 31 and October 15	Affidavit of Verification	
Annual review of SAS 70 with GM	Billing	Annual: June 1	Affidavit of Verification	
Verification of reconciliation of billings to general ledger	Billing	Quarterly: June 1, Sept 1, Dec 1 and March 1	Copy of reconciliation	
Book CABS Accounts Receivable	Billing	Annual: June 30	Copy of Booking	
Useful Lives Adjustment	Billing	Annual: June 30	Copy of Adjustment	